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9 **UNITED STATES BANKRUPTCY COURT**
10 **NORTHERN DISTRICT OF CALIFORNIA**
11 **OAKLAND DIVISION**

12 In re

13 PACIFIC THOMAS CORPORATION, dba
14 PACIFIC THOMAS CAPITAL, dba
SAFE STORAGE,

15 Debtor.
16

Case No. 12-46534 MEH

Chapter 11

**DECLARATION OF CRAIG C. CHIANG
IN SUPPORT OF EX PARTE
APPLICATION FOR ISSUANCE OF
TEMPORARY RESTRAINING ORDER
AND ORDER TO SHOW CAUSE FOR
PRELIMINARY INJUNCTION**

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18 I, Craig C. Chiang, declare:

19 1. I am an attorney at law duly licensed to practice before this Court and am Senior
20 Counsel to the law firm of Buchalter Nemer, A Professional Corporation, counsel to Kyle Everett,
21 the Chapter 11 trustee (the "Trustee") of the bankruptcy estate of Pacific Thomas Corporation dba
22 Pacific Thomas Capital dba Safe Storage (the "Debtor"). If called upon to testify as to the
23 matters set forth herein, I could and would competently testify thereto as these matters are
24 personally known to me to be true. As to matters stated based on information and belief, I would
25 competently testify as to those matters as I believe them to be true.

26 2. On August 30, 2013, the Trustee notified PTV that it was in material breach of the
27 terms of its management agreement with the Debtor. A copy of the August 30, 2013 letter to
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1 PTV notifying it of the material breach is attached hereto as Exhibit A.

2 3. PTV asserts that there is no material breach because it made “rightful deductions”
3 from the estate’s funds. A copy of PTV’s responses, dated September 6, 2013 and September 27,
4 2103, are attached to the Chiang Declaration as Exhibit B. Although PTV promised a thorough
5 explanation by September 16, 2013, it was never provided. Instead, PTV has attempted to justify
6 its “rightful deductions” by providing invoices that show payment to the Matlock Law Group for
7 legal fees, and a significant number of “cash” payments that conspicuously do not arise until after
8 the Trustee’s appointment in January 2013.

9 4. The Trustee, without acknowledging the validity of the sham lease, notified PTV
10 in writing on February 21, 2013 that its sham lease would be terminated. A copy of the February
11 21, 2013 letter to PTV is attached hereto as Exhibit C.

12 5. PTV asserted that the sham lease, through a January 1, 2010 amendment, “was
13 extended to January 1, 2015 ... and (b) that thereafter, the lease agreement shall be cancellable
14 only upon either party giving the other, six (6) months written notice of termination.” A copy of
15 the March 29, 2013 letter from PTV is attached hereto as Exhibit D.

16 6. Copies of the sham lease and the January 1, 2010 amendment are attached hereto
17 as Exhibit E.

18 7. On August 30, 2013 and on September 4, 2013, the Trustee notified PTV that it
19 must surrender possession of the premises that are subject of the sham lease by October 7, 2013.
20 True and correct copies of the Trustee’s August 30, 2013 and September 4, 2013 correspondence
21 are attached hereto as Exhibit F.

22 8. In a September 6, 2013 letter, attached hereto as Exhibit G, PTV’s counsel asserts
23 that the “lease goes through January 1, 2015” and that “[t]o the extent there is a problem with the
24 lease extension the original lease automatically renewed itself and does not contain a six-month
25 termination provision.”

26 9. The sham lease actually contains a 30 day termination provision under Section 13
27 that remains unaffected. The Trustee notified PTV that it must surrender possession of the
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1 premises subject to the sham lease by October 7, 2013.

2 I declare under penalty of perjury under the laws of the United States of America that the
3 foregoing is true and correct and that this Declaration is executed on October 16, 2013, in San
4 Francisco, California.

5 /s/ Craig C. Chiang
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